

SENATE BILL 506

By Stevens

AN ACT to amend Tennessee Code Annotated, Title 48
and Title 67, relative to low-profit limited liability
companies.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 48-249-102, is amended by adding the following language as a new, appropriately designated subdivision:

() "Low-profit limited liability company" or "L3C" means a limited liability company, formed under this chapter, that is formed for a business purpose that satisfies and is at all times operated in compliance with the requirements of subdivisions (A)-(D). If a limited liability company that met the requirements of subdivisions (A)-(D) at its formation at any time ceases to satisfy any one (1) of those requirements, then the company shall immediately cease to be a low-profit limited liability company; provided, however, that if the company otherwise complies with this chapter, then the company shall continue to exist as a limited liability company and the name of the limited liability company shall be changed in conformance with § 48-249-106. In order to qualify as a low-profit limited liability company the limited liability company shall:

(A) Significantly further the accomplishment of one (1) or more charitable purposes within the meaning of § 170(c)(2)(B) of the Internal Revenue Service Code of 1986, 26 U.S.C. § 170 (c)(2)(B);

(B) Not have been formed but for the company's relationship to the accomplishment of charitable purposes;

(C) Not have a significant purpose that is the production of income or the appreciation of property; provided, however, that the fact that a limited liability company produces significant income or capital appreciation shall not, in the

absence of other factors, be conclusive evidence of a significant purpose involving the production of income or the appreciation of property; and

(D) Not have a purpose that is to accomplish one (1) or more political or legislative purposes within the meaning of § 170(c)(2)(D) of the Internal Revenue Service Code of 1986, 26 U.S.C. § 170(c)(2)(D).

SECTION 2. Tennessee Code Annotated, Section 48-249-106(a)(1), is amended by adding the following language immediately prior to the last sentence of the subdivision:

A name of an L3C formed under this chapter shall contain the abbreviation "L3C".

SECTION 3. The secretary of state is authorized to promulgate rules and regulations to effectuate the purposes of this act. All such rules and regulations shall be promulgated in accordance with Tennessee Code Annotated, Title 4, Chapter 5.

SECTION 4. This act shall take effect October 1, 2014, the public welfare requiring it.